國浩集團有限公司
Guoco Group Limited

(Incorporated in Bermuda with limited liability)
(Stock code: 53)

2006/2007 INTERIM RESULTS ANNOUNCEMENT

FINANCIAL HIGHLIGHTS

	Six months ended 31 December		
	2006	2005	Change
	HK$'M	HK$'M	%
Turnover	**8,750**	6,186	*+41%*
Profit from operations before finance cost	**1,696**	3,626	*-53%*
Profit attributable to shareholders of the Company	**1,593**	3,752	*-58%*
	HK$	HK$	
Earnings per share	**4.90**	11.43	*-57%*
Dividend per share	**1.00**	1.00	-

	As at		
	31 December	30 June	
	2006	2006	Change
	HK$	HK$	%
Equity per share attributable to shareholders of the Company	**115.52**	113.59	*+2%*

RESULTS

The Board of Directors of Guoco Group Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 31 December 2006 together with the comparative figures for the corresponding period last year as follows:

CONSOLIDATED INCOME STATEMENT

For the six months ended 31 December 2006 – Unaudited

	Note	2006 (Unaudited) HK$'000	2005 (Unaudited) HK$'000	Change %
Turnover	2 & 3	**8,750,109**	6,185,882	+41%
Cost of sales		**(6,564,337)**	(5,026,691)	
Other attributable costs		**(117,756)**	(31,498)	
		2,068,016	1,127,693	
Other revenue		**146,147**	62,878	
Other net income	4	**388,268**	2,917,355	
Administrative and other operating expenses		**(906,773)**	(481,536)	
Profit from operations before finance cost	2	**1,695,658**	3,626,390	
Finance cost	5(a)	**(263,856)**	(136,792)	
Profit from operations	2	**1,431,802**	3,489,598	-59%
Impairment loss written back on properties		**49,488**	107,745	
Share of profits less losses of associates	5(c)	**182,937**	252,106	
Share of profits less losses of jointly controlled entities	5(c)	**5,280**	160,319	
Profit for the period before taxation	5	**1,669,507**	4,009,768	
Taxation	6	**10,101**	(83,900)	
Profit for the period		**1,679,608**	3,925,868	-57%
Attributable to:				
Shareholders of the Company		**1,592,887**	3,752,166	-58%
Minority interests		**86,721**	173,702	
Profit for the period		**1,679,608**	3,925,868	
Earnings per share		**HK$**	HK$	
Basic	8	**4.90**	11.43	-57%
Diluted	8	**4.89**	11.42	-57%
		HK$'000	HK$'000	
Proposed interim dividend	7	**329,051**	329,051	

CONSOLIDATED BALANCE SHEET

As at 31 December 2006

	Note	At 31 December 2006 (Unaudited) HK$'000	At 30 June 2006 (Audited) HK$'000
NON-CURRENT ASSETS			
Fixed assets			
– Investment properties		**1,771,087**	1,508,980
– Other property, plant and equipment		**11,926,264**	11,181,585
Bass Strait oil and gas royalty		**956,105**	918,662
Interest in associates		**2,178,563**	2,016,933
Interest in jointly controlled entities		**904,899**	852,425
Available-for-sale financial assets		**266,826**	118,636
Deferred tax assets		**7,504**	7,431
Intangible assets		**459,841**	-
Goodwill		**95,197**	10,716
		18,566,286	16,615,368
CURRENT ASSETS			
Development properties		**8,533,089**	7,433,929
Properties held for sale		**852,666**	588,851
Trade and other receivables	*9*	**1,943,464**	2,163,470
Trading financial assets		**7,200,108**	3,955,104
Cash and short term funds		**23,447,842**	26,570,457
		41,977,169	40,711,811
Assets held for sale		**-**	684,502
CURRENT LIABILITIES			
Trade and other payables	*10*	**2,186,853**	2,230,771
Current portion of bank loans and other borrowings		**1,991,723**	1,932,424
Taxation		**246,981**	280,720
Provisions		**75,126**	22,457
		4,500,683	4,466,372
NET CURRENT ASSETS		**37,476,486**	36,929,941
TOTAL ASSETS LESS CURRENT LIABILITIES		**56,042,772**	53,545,309
NON-CURRENT LIABILITIES			
Non-current portion of bank loans and other borrowings		**9,602,821**	7,801,557
Provisions		**195,549**	270,260
Deferred tax liabilities		**1,139,353**	1,053,512
		10,937,723	9,125,329
NET ASSETS		**45,105,049**	44,419,980
CAPITAL AND RESERVES			
Share capital		**1,279,395**	1,277,577
Reserves		**36,267,606**	35,640,878
Equity attributable to shareholders of the Company		**37,547,001**	36,918,455
Minority interests		**7,558,048**	7,501,525
TOTAL EQUITY		**45,105,049**	44,419,980

Notes:

1. ACCOUNTING POLICIES AND BASIS OF PREPARATION

The interim financial report has been prepared in accordance with the requirements of the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2005/06 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2006/07 annual financial statements as described below.

The HKICPA has issued certain new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), which term collectively includes HKASs and Interpretations, that are first effective or available for early adoption for the current accounting period of the Group. The adoption of the new standards, amendments and interpretations had no material impact on the Group's results and financial position. Accordingly, no prior period adjustment has been required.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

	Effective for accounting periods beginning on or after
HK(IFRIC) - INT 10, Interim financial reporting and impairment	1 November 2006
HKFRS 7, Financial instruments: disclosures	1 January 2007
Amendment to HKAS 1, Presentation of financial statement: capital disclosures	1 January 2007
HK(IFRIC) - INT 11, HKFRS 2 – Group and Treasury Share Transactions	1 March 2007

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2005/06 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with HKFRSs.

The information in this interim financial report is unaudited and does not constitute statutory financial statements. The financial information relating to the financial year ended 30 June 2006 included in the interim financial report is extracted from the Company's statutory financial statements. Statutory financial statements for the year ended 30 June 2006 can be obtained on request at the Group Company Secretariat, 50/F The Center, 99 Queen's Road Central, Hong Kong, or from the Company's website www.guoco.com. The auditors have expressed an unqualified opinion on those financial statements in their report dated 15 September 2006.

2. SEGMENT INFORMATION

Business Segments (Unaudited)

	Proprietary asset management	Property development	Property investment	Securities, commodities and brokerage	Hotel and gaming operations	Oil and gas	Inter-segment elimination	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
For the six months ended 31 December 2006								
Turnover	**6,487,243**	**600,980**	**52,466**	**35,118**	**1,574,302**	**-**	**-**	**8,750,109**
Inter-segment turnover	**174,414**	**-**	**3,196**	**1,268**	**-**	**-**	**(178,878)**	**-**
	6,661,657	**600,980**	**55,662**	**36,386**	**1,574,302**	**-**	**(178,878)**	**8,750,109**
Contribution from operations	**1,367,096**	**34,379**	**23,235**	**14,293**	**252,222**	**55,997**	**-**	**1,747,222**
Unallocated income								**1,454**
Unallocated expenses								**(53,018)**
Profit from operations before finance cost								**1,695,658**
For the six months ended 31 December 2005								
Turnover	4,678,574	793,045	43,579	30,427	640,257	-	-	6,185,882
Inter-segment turnover	523,478	-	1,838	667	-	-	(525,983)	-
	5,202,052	793,045	45,417	31,094	640,257	-	(525,983)	6,185,882
Contribution from operations	3,461,863	7,855	19,572	15,532	89,243	23,177	-	3,617,242
Unallocated income								125,206
Unallocated expenses								(116,058)
Profit from operations before finance cost								3,626,390

Geographical Segments (Unaudited)

	Turnover Six months ended 31 December		**Profit from operations Six months ended 31 December**	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**6,450,843**	4,498,963	**1,312,647**	3,192,187
United Kingdom	**1,512,947**	640,257	**71,573**	12,864
Singapore	**475,028**	518,321	**43,073**	168,692
The People's Republic of China ("PRC")	**121,558**	509,389	**(40,219)**	42,749
Malaysia	**121,115**	326	**(10,475)**	53,961
USA	**52,809**	18,618	**6,400**	(2,629)
Asia (excluding HK, Singapore, PRC and Malaysia)	**15,809**	8	**2,457**	9,158
Australasia	**-**	-	**46,346**	12,616
	8,750,109	6,185,882	**1,431,802**	3,489,598

3. TURNOVER

An analysis of the amount of each significant category of revenue recognized in turnover during the period is as follows:

	Six months ended 31 December	
	2006	2005
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Proceeds from sale of investments in securities	**5,769,822**	4,259,196
Income from sale of properties	**600,980**	793,045
Interest income	**695,477**	310,277
Revenue from hotel and gaming operations	**1,574,302**	640,256
Dividend income	**32,147**	116,538
Rental income from properties	**49,154**	42,454
Securities commission and brokerage	**23,025**	21,169
Other income	**5,202**	2,947
	8,750,109	6,185,882

4. OTHER NET INCOME

	Six months ended 31 December	
	2006	2005
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Net unrealised gains on trading financial assets	**260,939**	2,747,173
Net realised and unrealised gains on derivative financial instruments	**58,050**	68,175
Other exchange gains	**85,733**	38,585
Net exchange (losses)/gains on FX contracts	**(25,444)**	907
Net profit on disposal of fixed assets	**467**	504
Cash distributions of investments	**1,835**	57,839
Others	**6,688**	4,172
	388,268	2,917,355

5. PROFIT FOR THE PERIOD BEFORE TAXATION

Profit for the period before taxation is arrived at after charging/(crediting):

(a) Finance cost

	Six months ended 31 December	
	2006	2005
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Interest on bank advances and other borrowings wholly repayable within five years	**139,646**	84,094
Other borrowing costs	**188,924**	89,368
Total borrowing costs	**328,570**	173,462
Less: borrowing costs capitalised into development properties (Note)	**(64,714)**	(36,670)
	263,856	136,792

Note: The borrowing costs have been capitalised at rates of 3.2% to 6.0% per annum (2005: 3.0% to 4.7%).

(b) Staff cost

	Six months ended 31 December	
	2006	2005
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Salaries, wages and other benefits	**561,189**	291,721
Retirement scheme contributions	**14,884**	6,762
	576,073	298,483

(c) Other items

	Six months ended 31 December	
	2006	2005
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Depreciation	**121,434**	54,900
Amortisation of Bass Strait oil and gas royalty	**22,753**	10,887
Operating lease charges		
– properties	**6,952**	3,009
– others	**5,202**	3,303
Auditors' remuneration	**4,028**	2,187
Donations	**638**	318
Recognition of negative goodwill	**(894)**	(125,207)
Gross rental income from investment properties	**(25,195)**	(28,256)
Less: direct outgoings	**3,196**	9,305
	(21,999)	(18,951)
Share of profits less losses of associates:		
– listed	**(114,840)**	(190,832)
– unlisted	**(68,097)**	(61,274)
	(182,937)	(252,106)
Share of profits less losses of jointly controlled entities:		
– unlisted	**(5,280)**	(160,319)

6. TAXATION

Tax income/(expenses) in the consolidated income statement represents:

	Six months ended 31 December	
	2006	2005
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Hong Kong Profits Tax	**(13,165)**	(55,062)
Overseas taxation	**34,449**	(51,930)
Deferred taxation	**(11,183)**	23,092
	10,101	(83,900)

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 17.5% (2005: 17.5%) to the profits for the six months ended 31 December 2006. Taxation for overseas subsidiaries is similarly calculated using the estimated annual effective rates of taxation that would be applicable to the relevant countries.

Overseas taxation for the six months ended 31 December 2006 primarily represents the write-back of tax provision in respect of prior years.

7. DIVIDENDS

	Six months ended 31 December	
	2006	2005
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Year 2005/2006: Final dividend paid of HK$3.00 per share (Year 2004/2005: HK$3.00 per share)	**974,216**	976,882
Year 2005/2006: Special dividend paid of HK$1.00 per share (Year 2004/2005: Nil)	**324,736**	-
Year 2006/2007: Proposed interim dividend of HK$1.00 per share (Year 2005/2006: HK$1.00 per share)	**329,051**	329,051

The proposed interim dividend for the year ending 30 June 2007 of HK$329,051,373 (2006: HK$329,051,373) is calculated based on 329,051,373 ordinary shares (2005: 329,051,373 ordinary shares) in issue as at 31 December 2006.

8. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of the Company of HK$1,592,887,000 (2005: HK$3,752,166,000) and the weighted average number of 325,024,511 ordinary shares (2005: 328,194,902 ordinary shares) in issue during the period.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to shareholders of the Company of HK$1,590,380,000 (2005: HK$3,748,124,000) and the weighted average number of 325,024,511 ordinary shares (2005: 328,194,902 ordinary shares) in issue during the period after adjusting for the effect of all dilutive potential ordinary shares.

9. TRADE AND OTHER RECEIVABLES

	At 31 December 2006 (Unaudited) HK$'000	At 30 June 2006 (Audited) HK$'000
Trade debtors	**1,064,156**	1,436,414
Deposits and prepayments	**705,307**	618,001
Derivative financial instruments, at fair value	**97,164**	9,101
Interest receivable	**76,837**	99,954
	1,943,464	2,163,470

Included in the trade and other receivables are amounts of HK$49.8 million (30 June 2006: HK$65.2 million) which are expected to be recovered after more than one year.

Included in trade and other receivables are trade debtors with the following ageing analysis as of the balance sheet date:

	At 31 December 2006 (Unaudited) HK$'000	At 30 June 2006 (Audited) HK$'000
Current	**760,680**	1,365,534
1 to 3 months overdue	**299,798**	37,785
More than 3 months overdue but less than 12 months overdue	**3,678**	33,095
	1,064,156	1,436,414

10. TRADE AND OTHER PAYABLES

	At 31 December 2006 (Unaudited) HK$'000	At 30 June 2006 (Audited) HK$'000
Trade creditors	**420,688**	497,742
Other payables and accrued operating expenses	**1,594,691**	1,536,570
Derivative financial instruments, at fair value	**95,119**	25,850
Amount due to a fellow subsidiary	**57,995**	170,392
Amounts due to associates	**241**	217
Amounts due to jointly controlled entities	**18,119**	-
	2,186,853	2,230,771

Included in trade and other payables are amounts of HK$73.9 million (30 June 2006: HK$88.5 million) which are expected to be settled after more than one year.

Included in trade and other payables are trade creditors with the following ageing analysis as of the balance sheet date:

	At 31 December 2006 (Unaudited) HK$'000	At 30 June 2006 (Audited) HK$'000
Due within 1 month or on demand	**401,006**	451,135
Due after 1 month but within 3 months	**12,598**	12,114
Due after 3 months but within 6 months	**3,857**	497
Over 6 months	**3,227**	33,996
	420,688	497,742

11. HONG KONG DOLLAR AMOUNTS

The financial statements of the Group are expressed in the United States dollars ("USD"), which are the functional currency of the Company. The accounting figures shown above have been translated from United States dollars into Hong Kong dollar equivalent at the rate ruling at the respective financial period ends for presentation purposes only (31 December 2006: US$1 = HK$7.77625, 30 June 2006: US$1 = HK$7.7652, 31 December 2005: US$1 = HK$7.7542).

12. REVIEW BY BOARD AUDIT COMMITTEE

The unaudited interim results for the six months ended 31 December 2006 have been reviewed by the Board Audit Committee of the Company. The information in these interim results does not constitute statutory accounts.

FINANCIAL RESULTS

The unaudited consolidated profit attributable to shareholders of the Company for the six months ended 31 December 2006 amounted to HK$1,593 million. Basic earnings per share were HK$4.90.

The major profit contributions (before finance cost and taxation) were:

- total realised and unrealised gains on investments of HK$742 million;
- total interest income of HK$695 million;
- total net exchange gain (including FX contracts) of HK$60 million;
- dividend income of HK$32 million;
- property development and investment income of HK$58 million;
- hospitality and leisure business of HK$252 million; and
- associates and jointly controlled entities of HK$188 million.

The Group's investment portfolio has been scaled down from HK$26.8 billion as at 31 December 2005 to HK$7.2 billion as at 31 December 2006 since the Group had adopted a more prudent approach amidst the rising market uncertainty and demanding valuations during the period. Net profit after tax attributable to shareholders of the Company decreased by HK$2,159 million or 57.5% compared to the previous corresponding period. This was substantially in line with the reduced risk profile adopted and conversely, our interest income increased by 124% from HK$310 million to HK$695 million mainly due to increases in both the weighted average deposit balance and deposit interest rates.

Overall turnover increased by HK$2.6 billion or 41% to HK$8.8 billion due mainly to the increase of HK$1.8 billion from proprietary asset management. The turnover for hotel and gaming operations also increased by HK$0.9 billion as the turnover for the six months ended 31 December 2005 only included the figures of BIL International Limited ("BIL") since the acquisition in October 2005.

INTERIM DIVIDEND

The Directors have declared an interim dividend of HK$1.00 per share amounting to approximately HK$329.1 million (2005/2006 interim dividend: HK$1.00 per share amounting to approximately HK$329.1 million) for the financial year ending 30 June 2007 which will be payable on 16 April 2007 to the shareholders whose names appear on the Register of Members on 13 April 2007.

REVIEW OF OPERATIONS

Proprietary Asset Management

Despite increased evidence of a US housing market slowdown, global equity markets continued to perform strongly in the first six months of our financial year. Sentiment was supported by the combination of low-inflationary global growth, relative interest rate stability, an oil price correction and resilient corporate earnings growth. In addition, aggressive private equity buying led to record volume of buyout deals and repeatedly set new benchmarks for asset valuation. As a result, a number of global equity markets reached multi-year highs.

Against this backdrop, our investment team continued to focus on stock selection and search for appropriate investment opportunities in global markets. However, equity prices generally were at high levels with stretched valuations. As a value investor, it had become increasingly more challenging to find attractively priced investments in the past few months. As a result, we adopted a more defensive stance in managing the portfolio. We reduced the size of our investment that was trading oriented and spent more effort in identifying stocks with longer term growth potential that were reasonably valued.

In view of the under-performance of the Japan market in 2006 and our belief that ongoing restructuring in that country would support a sustainable upward re-rating in that market, we gradually increased our investment portfolio allocation in Japan. We also explored other Asian markets such as Korea and Taiwan, while our investments in Hong Kong and China were reduced following their stellar performance. In the United States and European market, our approach remained very stock specific and focused on stocks that offered low valuations but with good upside potential.

We continued actively to manage the currency overlays of our equity investments in various countries. Forex forward contracts as well as currency borrowings were used to hedge the currency exposures of the various equity portfolios. Also, appropriate financial instruments were utilized to manage interest rate and foreign currency exposures including standard interest rate and currency swaps.

Following such strong market performance in the past six months, we believe the risk-reward trade-off for investment has become less attractive. The sell-off in late February 2007 illustrated the inherent volatility that markets could face in coming months. We do not think markets will go through a severe and sustained downturn but equity prices will tend to trade at high levels and sentiment could be vulnerable to bad news. The United States economy is still facing a number of structural issues that may have global implications. Equity prices are likely to remain volatile and we therefore will maintain a prudent stance while looking for investment opportunities in the current environment.

Property Development and Investment

GuocoLand Limited ("GLL") – 63.9% controlled by Guoco

For the half year ended 31 December 2006, the GLL Group reported a net profit of S$52.7 million, an increase of 21% compared to the previous corresponding period.

The GLL Group's revenue and cost of sales decreased by 16% and 12% respectively as compared to the previous corresponding period mainly due to lower revenue and cost of sales recognised for its property development projects in China offset by higher revenue and cost of sales recognised for its property development projects in Singapore.

The decrease in gross profit in the current financial period as compared to the previous corresponding period was due to a lower writeback of provision for development properties but was partially offset by profits recognised from the sale of units in Beijing West End Point.

Other operating income increased from S$23.8 million to S$48.6 million for the half year ended 31 December 2006, mainly due to the profit of S$19.3 million from the sale of the GLL Group's long-term investment in BIL and higher net foreign exchange gains of S$10.4 million.

Finance costs increased by 54% to S$14.3 million due to higher interest rates and an increase in bank borrowings to finance the GLL Group's land acquisitions.

The contribution from the GLL Group's associates and jointly-controlled entities to profit after tax increased by 61% to S$12.0 million mainly due to higher profit contribution from its 40% associate, Razgrad Pte Ltd (which owns The Ladyhill development).

In January 2007, the GLL Group completed the unwinding of an existing equity swap transaction that resulted in a net gain of S$10.3 million which was already recognised as a mark-to-market gain in the half year ended 31 December 2006.

Singapore

The GLL Group currently has seven launched developments on the market in Singapore: Sanctuary Green, The Gardens at Bishan, Le Crescendo, The Stellar, The Quartz, The View @ Meyer and The Boulevard Residence.

In November 2006, the GLL Group completed the acquisition of Casa Rosita condominium at the Newton/Scotts area, which has a saleable area of 46,000 square metres (494,000 square feet).

In December 2006, the GLL Group entered into a conditional collective sale and purchase agreement to acquire the freehold Sophia Court condominium located at Mount Sophia with intention to redevelop the site. This acquisition will upon completion, add a further saleable area of approximately 34,000 square metres (363,000 square feet) to enlarge the GLL Group's existing landbank in Singapore to approximately 158,000 square metres (1.7 million square feet).

The Singapore economy continues to grow at a healthy pace. Statistics released by the Ministry of Trade and Industry show that real GDP growth in 2006 was 7.9%. Economic growth in 2007, however, is expected to continue at a more moderate pace of between 4.5% and 6.5%. Statistics/Data released by the Urban Redevelopment Authority show that property prices had increased by 3.8% in the fourth quarter of 2006, compared with 2.7% increase in third quarter of 2006, and 10.2% year-on-year. Property price appreciation was largely attributed to the high-end segment in the prime districts. Buying interest is expected to filter down to the mid-market segment to support a more broad based recovery in the residential property market. The GLL Group will time its property launches appropriately and continue to replenish its landbank through acquisitions.

China

In China, 564 units in West End Point ("WEP") were launched since July 2006, of which 377 units were sold as at 13 February 2007. WEP is a 810-unit development located within the Second Ring Road in Feng Sheng, Xicheng District of Beijing.

Piling is in progress for the GLL Group's development site situated in the Qixia District of Nanjing whereas resettlement is in progress for two other development sites situated in the Xuanwu District of Nanjing and Putuo District of Shanghai. The GLL Group's landbank in China, in terms of saleable area, is approximately 938,000 square metres (10.1 million square feet).

A conditional cooperation framework was entered into by the GLL Group to acquire a controlling interest in Beijing Cheng Jian Dong Hua Real Estate Development Company Limited ("Beijing Cheng Jian Project Co"). Beijing Cheng Jian Project Co owns the land use and development rights to a land parcel of 106,000 square metres located along the main thoroughfare of Dongzhimen Road on the East Second Ring Road in the Dong

Cheng District of Beijing City. This site is currently being developed into an integrated retail, hotel, office, residential and transportation terminal hub comprising a metro and bus interchange and an express rail link to the Beijing International Airport.

The proposed acquisition is subject, inter alia, to satisfactory due diligence and satisfaction of certain conditions precedent whereupon a share acquisition agreement is proposed to be entered into on terms and conditions to be settled between the parties.

The economy in China grew by an estimated 10.7% in 2006. The central government has set the economic growth target for 2007 at a more moderate growth of 8% despite expectations that the economy is likely to enjoy a fifth straight year of double-digit growth. As part of the government's measures to cool the property sector, it has recently announced the tightening of rules on the levy of land appreciation tax ("LAT") on property sales from 1 February 2007. The GLL Group has fully provided for LAT in accordance with the existing LAT regulations on all sold units in its projects in China. The GLL Group's outlook on China remains positive and it will continue to expand its presence in key cities.

Malaysia

The GLL Group's shareholding in GuocoLand (Malaysia) Berhad ("GLM") has increased to 64.98% as at 13 February 2007. In Malaysia, GLM currently has eight ongoing mixed residential development projects in the Klang Valley, located in the northern growth corridors of Rawang and Sungai Buloh and the southern growth corridors of Cheras and Sepang. GLM is currently developing an integrated commercial development project in Damansara Heights of approximately 207,000 square metres (2.2 million square feet), comprising luxury condominiums, office towers, a 5-star boutique hotel and a lifestyle retail mall. This flagship project, which is targeted to be launched in the fourth quarter of 2007, will be an iconic landmark in the Damansara Heights area.

Tower Real Estate Investment Trust ("Tower REIT"), of which GLM is the manager, entered into a conditional sale and purchase agreement on 16 October 2006, to acquire 78.33% of the net lettable area and 100% of the car park bays of Menara ING, a freehold 20-storey office building with a $3^{1}/_{2}$-storey office annex, located in Kuala Lumpur, for a total purchase consideration of RM75 million. This acquisition is in line with GLM's strategy to grow the assets of Tower REIT under its management so as to increase its recurring management income.

In Malaysia, the economic outlook for 2007 is positive. With inflation under control, competitive interest rates and the relaxation of purchasing rules in December 2006 for foreigners who previously had to get approval to buy investment properties above RM250,000, the GLL Group expects demand for quality housing to remain positive.

Vietnam

In Vietnam, design planning is in progress for the GLL Group's integrated development project located next to the Vietnam Singapore Industrial Park in Binh Duong Province, 17 kilometres north of Ho Chi Minh City. When completed, this site of approximately 174,935 square metres (1.9 million square feet) will have a development comprising more than 1,000 units of residential apartments, a 4-star business hotel, a retail mall, an office complex and a private educational institution.

Barring unforeseen circumstances, the GLL Group expects to report satisfactory results for the financial year ending 30 June 2007.

Hospitality and Leisure Business

BIL International Limited ("BIL") – 53.8% controlled by Guoco

BIL recorded a profit before tax for the period ended 31 December 2006 of US$10.1 million compared to US$14.3 million in the previous period ended 31 December 2005. Profit after tax for the period under review decreased by US$22.2 million to US$8.5 million because in the half year to December 2005, BIL benefited from the reversal of US$17.8 million of tax provisions made in the previous financial year.

The revenue increased by 25% compared with the corresponding period last year, contributed mainly by BIL's hotels segment, Thistle Hotels. Last year's result was adversely impacted by the July London bombings. Occupancy and average room rate of Thistle Hotels' owned, leased or managed hotels have now both enjoyed growth as illustrated below:

	London		**Provincial**		**Total**	
Jul to Dec	**2006**	2005	**2006**	2005	**2006**	2005
Occupancy %	**81.1**	73.2	**73.9**	70.2	**78.0**	71.9
Average Room Rate (£)	**95.0**	82.1	**59.1**	57.9	**80.5**	72.3
RevPar (£)	**77.0**	60.1	**43.7**	40.7	**62.8**	52.0

Other operating income improved significantly from US$2.7 million in the half year ended 31 December 2005 to US$8.4 million in the half year ended 31 December 2006. Management fees earned by BIL's hotels segment have contributed to this improvement.

During this period, the BIL Group has continued to incur start-up costs in the gaming segment and completed the acquisition of the Clermont Club.

On 1 December 2006, a wholly-owned subsidiary of BIL has completed the acquisition of the Clermont Club casino business in Mayfair, London from Rank Group Plc for £31 million. The BIL Group's intention is to improve substantially the facilities and performance at this location and introduce the Clermont brand into other selected locations.

As at 31 December 2006, The Gambling Commission of Great Britain has granted a wholly-owned subsidiary of BIL a total of 25 Certificates of Consent under The Gaming Act 1968. As a result of these approvals, the subsidiary will work towards fulfilling all necessary regulatory requirements for each of these 25 casino locations.

The BIL Group has an entitlement to 55.11% of royalty receipts from the Bass Strait Royalty. In 1997, the entitlement to the royalties was monetised into 44 million units for a 10-year period held by the Bass Strait Oil Trust. The BIL Group currently owns 20 million units. As from April 2007, the monetisation will complete and all future royalty payments in respect of the 44 million units will belong to the BIL Group.

Camerlin Group Berhad ("CGB") – 68.9% controlled by Guoco

CGB recorded a profit before tax of RM6.6 million for the six months ended 31 December 2006. The profit was mainly due to its share of profits RM7.2 million from its 22.3% interests in BIL.

CGB announced on 16 February 2007 a proposed capital distribution of substantially all its interests in BIL ranging from 265,924,676 to 303,144,609 BIL shares, representing approximately 19.44% to 22.16% of the issued share capital of BIL, to its shareholders via a reduction of the share capital of CGB and by cancelling CGB's share premium reserve, which will result in the reduction of the par value of CGB shares from RM1.00 to between RM0.13 and RM0.16.

Currently, Guoco Group controls an aggregate of 59.30% interests in BIL via CGB and another wholly owned subsidiary as to 22.26% and 37.04% respectively, representing an effective interest in BIL of 52.31%. After completion of the proposed capital distribution, Guoco Group will hold a direct interest ranging from 50.27% to 52.31% in BIL.

Financial Services

Hong Leong Financial Group Berhad ("HLFG") – 25.7% owned by Guoco

The HLFG Group achieved a profit before tax of RM443.9 million in the half year ended 31 December 2006 as compared to RM353.5 million in the previous corresponding period, an increase of RM90.4 million or 25.6%. This healthy increase reflected well on the efforts of HLFG's operating subsidiaries.

The banking division recorded a profit before tax of RM410.8 million for the half year ended 31 December 2006 as compared to RM333.6 million in the previous corresponding period, an increase of RM77.2 million or 23.1%.

Top-line revenue of the banking division grew by 15.9% to RM858.5 million. Whilst the business performances were generally better all round, the increase in profit was driven by strong assets growth from mortgages (growth of 24%) and credit cards (growth of 51%), as well as higher income from the treasury business. However, the banking division's result was partially offset by more stringent Bank Negara requirements for provisioning made for non-performing loans. However, asset quality had continued to improve with net NPL ratio decreasing to 2.6% from 3.1% as at 30 June 2006 and 4.0% as at 31 December 2005.

The insurance division registered a profit before tax of RM34.2 million as compared to RM25.6 million in the previous corresponding period representing a 34% increase. This was mainly due to higher gross general direct premiums particularly from marine cargo and health insurance classes.

The stockbroking and asset management divisions registered a 47% increase in profit before tax of RM12.0 million for the six months ended 31 December 2006 compared to previous corresponding period. The increase was achieved with the higher Bursa Malaysia trading volumes.

Barring unforeseeable circumstances, HLFG is expected to perform satisfactorily for the current financial year.

Financial Commentary

Capital and finance

- The Group's consolidated total equity (including minority interests) as at 31 December 2006 amounted to HK$45.1 billion, an increase of 1.5% comparing to the total equity as at 30 June 2006.
- The Group's consolidated total equity attributable to shareholders of the Company as at 31 December 2006 amounted to HK$37.5 billion, an increase of 1.7% comparing to the figure as at 30 June 2006.

Total Cash and Liquid Funds

As at 31 December 2006, the Group has net liquid funds of HK$19.0 billion, comprising total cash balance of HK$23.4 billion, which is mainly denominated in US dollars, and marketable securities of HK$7.2 billion and after netting off the total borrowings of HK$11.6 billion.

The increase in total borrowings from HK$9.7 billion as at 30 June 2006 was mainly to finance the new gaming business as well as the acquisition of land, resettlement and development costs of property projects.

Total Borrowings

The Group's total borrowings are mainly denominated in Pound Sterling (41.2%), Singapore dollar (40.9%) and US dollar (13.7%).

The Group's bank loans and other borrowings are repayable as follows:

	Bank loans	**Mortgage debenture stock**	**Other borrowings**	**Total**
	HK$'M	*HK$'M*	*HK$'M*	*HK$'M*
On demand or within 1 year	1,493	-	499	1,992
After 1 year but within 2 years	951	-	507	1,458
After 2 years but within 5 years	3,237	-	786	4,023
After 5 years	17	4,105	-	4,122
	4,205	4,105	1,293	9,603
	5,698	4,105	1,792	11,595

The loans are secured by the following:

- legal mortgages on investment properties with an aggregate book value of HK$82 million;
- legal mortgages on development properties with an aggregate book value of HK$6,104 million; and
- legal mortgages on property, plant and equipment with an aggregate book value of HK$7,969 million.

Committed borrowing facilities available to Group companies and not yet drawn as at 31 December 2006 amounted to approximately HK$2,151 million.

Interest Rate Exposure

As at 31 December 2006, approximately 42% of the Group's borrowings were at floating rates and the remaining 58% were at fixed rates. The Group manages its interest rate exposure with a focus on reducing the Group's overall cost of debt and exposure to changes in interest rates. When considered appropriate, the Group may use interest rate swap contracts to manage the interest rate exposure.

Foreign Currency Exposure

The Group may, from time to time, enter into foreign exchange rate related contracts for the purpose of hedging the foreign currency exposures. The Group may also raise foreign currency loans to hedge our foreign currency investments.

Contingent Liabilities

A subsidiary of the Group, BIL, had contingent liabilities of approximately HK$74 million in relation to the guarantees of investment performance. In addition, BIL has given a guarantee to the owner of the 28 hotel businesses sold in 2002 that the aggregate Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) of the business will not be less than HK$498 million per calendar year (or pro-rata amount) thereafter until 4 April 2012. The maximum liability on any one year under the guarantee was HK$498 million and the maximum aggregate liability under the guarantee was approximately HK$997 million. BIL's expectation is that the future annual EBITDA will be in excess of the guaranteed amount.

Human Resources and Training

The Group, including its subsidiaries in Hong Kong and overseas, employed approximately 3,000 employees as at 31 December 2006. The Group continued to follow a measured approach towards achieving an optimal and efficient size of its workforce and is committed to providing its staff with ongoing development programmes to enhance productivity and work quality.

The remuneration policy for the Group's employees is reviewed by management on a regular basis. Remuneration packages are structured to take into account the level and composition of pay and general market conditions in the respective countries and businesses in which the Group operates. Bonus and other merit payments are linked to the financial performance of the Group and individual achievement as incentives to optimise performance. Share options may also be granted in accordance with the approved share option schemes or plans adopted by the Company and its subsidiaries to eligible employees to reward their contribution and foster loyalty towards the Group.

OUTLOOK

Although economic environment driven by strong trading momentum and abundant liquidity remains encouraging, recent corrections showed that markets are vulnerable and susceptible to bad news and are likely to be more volatile. The implications from the moderating growth expectations and the structural issues in the US further added uncertainty to the global markets. Bearing in mind that the performance of our proprietary asset management business is subject to the mark-to-market accounting standards and the inherent volatility in the market conditions, it would be a challenge to sustain the same performance achieved last year. Given the increasing market risk and uncertainty, we will continue to adopt a judicious stance to manage our investment activities to optimise returns balanced against the risk exposure.

Our other three core businesses, properties development and investment, hospitality and leisure business, and financial services, are progressing satisfactorily. Barring unforeseeable circumstances, we expect to see growth in their contributions to Guoco's overall performance and create sustainable long-term value.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

During the period the Company had not redeemed, neither the Company nor any of its other subsidiaries purchased or sold any of the Company's listed securities.

CORPORATE GOVERNANCE

Code on Corporate Governance Practices

During the period, the Company had complied with the relevant provisions set out in the Code on Corporate Governance Practices (the "CGP Code") based on the principles set out in Appendix 14 to the Listing Rules, save the following:

- the non-executive directors were not appointed for a specific term. However, they are subject to retirement by rotation and re-election at the annual general meetings of the Company pursuant to the Bye-Laws of the Company. As such, the Company considers that such provisions are sufficient to meet the underlying objectives of the relevant provisions of the CGP Code; and

- pursuant to the Bye-Laws of the Company, the directors of the Company (save those holding the office as Chairman, President or Managing Director) are subject to retirement by rotation. According to the Private Act of the Company enacted in 1990 (the "Act"), directors holding the office of executive chairman or managing director shall not be subject to retirement by rotation. As the Company is bound by the provisions of the Act, the Bye-Laws of the Company cannot be amended to align with the relevant provision of the CGP Code in this respect. However, in order for the Company to comply with the CGP Code, the Executive Chairman and the President of the Company have confirmed that they are willing to be subject to the retirement by rotation provisions as set out in the Bye-Laws of the Company.

Model Code for Securities Transactions by Directors

The Company had adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as the code of conduct regarding directors' securities transactions.

Based on specific enquiries made to all directors of the Company, they confirmed that they have complied with the required standard set out in the Model Code for the period.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 10 April 2007 to 13 April 2007, both days inclusive, during which period no transfer of shares can be effected.

In order to qualify for the interim dividend, all share transfers accompanied by the requisite share certificates must be lodged with the Company's Branch Share Registrars in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:00 p.m. on 4 April 2007.

PUBLICATION OF INTERIM RESULTS ON THE WEBSITES OF THE COMPANY AND THE STOCK EXCHANGE

This results announcement has been published on the websites of the Company (http://www.guoco.com) and The Stock Exchange of Hong Kong Limited (http://www.hkex.com.hk).

As at the date of this announcement, the board of directors of the Company comprises Mr. Quek Leng Chan as Executive Chairman; Mr. Kwek Leng Hai as President, CEO; Mr. Tan Lim Heng and Mr. James Eng, Jr. as executive directors; Mr. Kwek Leng San as non-executive director and Mr. Sat Pal Khattar, Mr. Volker Stoeckel and Mr. Ding Wai Chuen as independent non-executive directors.

By order of the Board
Stella Lo Sze Man
Company Secretary

Hong Kong, 23 March 2007